When making a charitable gift of an existing life insurance policy, the charity may issue a tax receipt for your gift. The value of that tax receipt may be equal to the Cash Surrender Value (CSV) of your policy at the time of your donation, OR – if you have acquired the policy for more than three (3) years or acquired the policy for more than ten (10) years and it was acquired with the intention to donate it later – a receipt can be issued for the Fair Market Value (FMV) of the policy.

The FMV can be determined by an independent actuary, and could be significantly higher than the cash value of the policy. While the CSV is readily available at no charge, the FMV needs to be determined by an independent expert (e.g., an actuary), and there is a cost associated with this service. You should ask your charity and your insurance advisor for assistance in determining which is to your benefit.

You will also receive a tax receipt for any premiums you continue to pay on the policy after donating, or for donations given to the charity to make payments on the policy after you have donated it.
Some insurance policies will trigger a taxable gain when you donate them to a charity or if you cancel the policy. Ask your insurance provider if this is the case prior to making a donation. While the donation receipt may offset this tax, there could also be an impact on government benefits such as Old Age Security (OAS) or the Guaranteed Income Supplement (GIS).

Alternatively, rather than donating your policy today to a charity, you can name a charity as beneficiary of the policy. In this case, there would not be a charitable tax receipt in your lifetime, but your estate would receive a receipt equal to the full death benefit of the policy paid to the charity at the time of your passing.